

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 EB-08 COME-00 TRSE-00 AGRE-00
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E.O. 11652: N/A
TAGS: EAGR, ETRD, EG
SUBJ: CCC CREDITS

REF: (A) CAIRO 07503, (B) CAIRO 21321

1. IN REFERENCE (A) DISCUSSIONS WITH INVESTMENT AUTHORITY GAMAL EL NAZER ON, INTER ALIA, CCC CREDITS, WERE DESCRIBED. IN THAT DISCUSSION BETWEEN EL NAZER AND USAID DIRECTOR BROWN, IT WAS POINTED OUT TO EL NAZER THERE REMAINED TWO MAJOR OBSTACLES TO ESTABLISHMENT OF A CCC LINE OF CREDIT FOR COTTON, AS REQUESTED BY THE GOE. ONE OF THESE CONTINUES TO BE THE PROBLEM, ALTHOUGH DIMINISHING, OF ARREARAGES. THE OTHER IS THE FACT THAT EGYPT'S CURRENT BANKING ARRANGEMENTS FOR CCC INEVITABLY LEAD TO CONTINUED PROBLEMS IN ARREARAGES DUE TO SLOWNESS IN THAT SYSTEM.

2. IN BROWN - EL NAZER DISCUSSION, EL NAZER INDICATED A WILLINGNESS TO REVIEW BANKING PROCEDURES. IN A LETTER JUST RECEIVED FROM EL NAZER, HE STATES THE FOLLOWING: QUOTE DURING OUR DISCUSSIONS ON MARCH 6, 1978, YOU MENTIONED THAT AID IS DISCUSSING NOW WITH THE CENTRAL BANK OF EGYPT AND THE NATIONAL BANK OF EGYPT, A NEW SYSTEM FOR EVADING ANY AREARS IN THE FUTURE FOR PAYMENTS OF THE
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CCC CREDITS. I WISH TO CONFIRM TO YOU THAT THE EGYPTIAN GOVERNMENT HOPES THAT BOTH PARTIES COULD WORK OUT, IN THE NEAR FUTURE, A NEW SYSTEM WITH THE AIM OF TAKING CARE OF THE DIFFICULTIES WHICH EXIST NOW. UNQUOTE.

3. EL NAZER HAS INFORMED US THAT THIS LETTER WAS SENT AFTER CLEARANCE WITH THE MINISTER OF ECONOMY.

4. WE WILL NOW RAISE THESE MATTERS URGENTLY WITH THE CENTRAL BANK AND NATIONAL BANK IN AN EFFOR1 TO FIND AN IMPROVED AND REVISED SYSTEM. BUT WE AGAIN URGE USDA TO BE PREPARED TO BE FORTHCOMING ON A NEW LINE OF CREDIT IF WE CAN BE SUCCESSFUL ON THESE POINTS.

5. IN REFERENCE (B), WE PROVIDED RATIONALE FOR POSITIVE RESPONSE TO GOE REQUEST FOR CCC FINANCING TO COVER ALL EGYPTIAN COTTON IMPORTS, INCLUDING ADVANTAGES ACCRUING THEREUNDER TO U.S. INTERESTS. USDA REACTION INDICATING LIKELY SIZE OF PROGRAM THAT CAN BE MADE AVAILABLE TO FINANCE EGYPTIAN COTTON IMPORTS, IF AND WHEN ARREARAGES ARE SUBSTANTIALLY PAID AND SATISFACTORY BANKING ARRANGEMENTS MADE, WOULD BE HELPFUL. DECON: 3/15/79. EILTS

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